

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of:

NOTICE OF ADJUSTMENT OF)
RATES OF DELTA NATURAL GAS) CASE NO. 8256
COMPANY, INC.)

O R D E R

On January 6, 1982, Delta Natural Gas Company, Inc., ("Delta") filed its Notice with the Commission for approval of revised tariff sheets setting forth rates which will produce the necessary gross revenues to offset the costs associated with the acquisition, by Delta, of certain transmission facilities of the Wiser Oil Company ("Wiser").

The Commission, in its Order issued December 1, 1981, required Delta to submit proof that the transaction had been completed, an accurate statement of the cost of acquisition, and the method and cost of financing the purchase from Wiser. Delta was further ordered to file revised tariff sheets, after giving the Commission 20 days' notice.

On January 13, 1982, the Attorney General's Consumer Protection Division ("Attorney General") filed a Motion objecting to Delta's tariff filing. The Attorney General requested further documentation to support the transfer. In its Order in Case

No. 8025, the Commission ordered the journal entries affecting the transfer to be filed as a part of that proceeding and, moreover, certified the transfer conditionally according to the terms of the agreement established by Delta and Wiser and made a part of the record in that case. Delta was advised in the Order entered December 19, 1980, in Case No. 8025 that should material changes in the terms and conditions of the transfer take place, Delta should notify the Commission within 3 working days of the change. Delta has filed no document describing any changes pursuant to the letter of agreement and, therefore, the contract should evidence these terms and conditions and should be made a part of the record in this case. Delta filed proof of closing with the Commission on January 29, 1982.

The Attorney General's Motion moreover objected to the interest rate Delta used in determining its debt cost associated with the acquisition of Wiser's transmission facilities.

Delta's witness, Mr. Glenn Jennings, testified that Delta intended to finance the Wiser acquisition using short-term debt at a floating prime rate of interest and to refinance when it could obtain long-term money on more advantageous terms.⁽¹⁾ Delta requested a 19 percent interest rate for the Wiser acquisition. The average prime rate over the past 12 months is approximately 19 percent⁽²⁾ and Delta was allowed 19 percent for short-term debt in the December 31, 1981, Order in this case.

(1) Transcript of Evidence, Volume II, October 13, 1981, page 14.

(2) Federal Reserve Statistical Release.

The Attorney General objected to the 19 percent cost rate as the prime interest rate is currently 15 3/4 percent.⁽³⁾ The prime rate fluctuates significantly over time. The current level is the lowest in over a year. Under these circumstances, the Commission is of the opinion that the use of a 12-month average is reasonable and accepts the 19 percent cost rate.

FINDINGS AND ORDER

The Commission, after consideration of the evidence of record and being advised, finds that:

1. The revised rates filed by Delta to recover the cost associated with the acquisition by Delta of certain transmission facilities of Wiser meet the requirements established by the Commission in its Order dated December 1, 1981.

2. The rates and charges in Appendix A, attached hereto and made a part hereof, are the fair, just and reasonable rates and charges for Delta to charge its customers in rendering gas service.

3. The Motion of the Attorney General should be denied.

IT IS THEREFORE ORDERED that Delta Natural Gas Company be and it hereby is authorized to place into effect the rates and charges in Appendix A, attached hereto and made a part hereof, for service rendered on and after the date of this Order.

IT IS FURTHER ORDERED that within 20 days of the date of this Order, Delta Natural Gas Company shall file its tariff sheets setting forth the rates approved herein.

(3) Objection to Tariff Filing, Motion to require further Documentation, page 2.

Done at Frankfort, Kentucky, this 1st day of February 1982.

PUBLIC SERVICE COMMISSION

Marlin M. Voh
Chairman

Katherine Randall
Vice Chairman

Don Carver
Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 8256 DATED FEBRUARY 1, 1982.

The following rates and charges are prescribed for the customers in the area served by Delta Natural Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the date of this Order.

RATES:

General Service -		
Monthly Customer Charge	\$2.75	per delivery point per month
1 - 5000 Mcf	\$4.6798	per Mcf
5001 - 10,000 Mcf	4.4298	per Mcf
Over 10,000 Mcf	4.1798	per Mcf

Interruptible*

1 - 5000 Mcf	\$4.4298	per Mcf
5001 - 10,000 Mcf	4.1798	per Mcf
Over 10,000 Mcf	3.9298	per Mcf

For the purpose of future applications of the Purchase Gas Adjustment Clause by Delta, the following are the base customer rates:

General Service -

Monthly Customer Charge	\$2.75	per delivery point per month
1 - 5000 Mcf	\$4.3990	per Mcf
5001 - 10,000 Mcf	4.1490	per Mcf
Over 10,000 Mcf	3.8990	per Mcf

Interruptible*

1 - 5000 Mcf	\$4.1490	per Mcf
5001 - 10,000 Mcf	3.8990	per Mcf
Over 10,000 Mcf	3.6490	per Mcf